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**DEPARTMENT OF DEFENSE BLOGGERS ROUNDTABLE WITH BRIGADIER
GENERAL MICHAEL WALSH, COMMANDER, GULF REGION DIVISION, U.S.
ARMY CORPS OF ENGINEERS (VIA TELECONFERENCE FROM IRAQ)
* SUBJECT: IRAQ RECONSTRUCTION UPDATE**

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CHARLES "JACK" HOLT (chief, New Media Operations, OASD PA):
General Walsh, welcome to the Bloggers Roundtable. Thank you very much for joining us, sir.

GEN. WALSH: Hey, good morning. Good to talk to you all again.

MR. HOLT: All right, sir. Do you have an opening statement for us?

GEN. WALSH: Just a couple of quick words. First of all, thanks for agreeing to talk to me and having the opportunity to talk to you all. Certainly -- I think last time we talked to the bloggers was about two months ago, and in those two months, we got a lot of things accomplished across Iraq.

But again, just a recap of what we've done so far in this country, about 3,200 projects from as far north as Dohuk to as far south as 20 miles off the coast at Al Basra oil terminal, where we refurbished that terminal. We have 35 offices throughout the country and a lot of projects in areas that are still underneath coalition force control and those areas that are in provincial Iraqi control. So our people are all over company. I'd remind you that there's a little over 1,100 people in the Gulf Region Division; 500 of them are Iraqi engineers and working on the construction projects with us. We have 194 military, and the rest are civilians. Most of them are Department of the Army civilians. But we do have a hundred non-federal workers who raised their hand, just Americans on the street who raised their hand and asked for a temporary American job that are here working along with us. One of them was just Kim, who was just talking to you. She just raised her hand off the street to come work with us. She's -- I've got to give her some additional training on how to work the phones. While she may be a good public affairs person, the technical phone operations -- (off mike).

And I see Andrew Lubin is there with you.

Andrew, are you on the line?

Q Yes I am, General. How are you today?

GEN. WALSH: I'm doing really well. I know you keep asking questions on al Anbar, so I put together a couple of items there.

Q Thank you. Appreciate that.

GEN. WALSH: In the security and justice sector, there's 130 projects that were planned since 2003 to now, and we've completed 116. Those are border forts, point of entries, military facilities, prisons, courts, things of that sort.

In the public works and water, there's 123 projects that were planned, and we've completed 80. Building, health and education -- there were 99 projects that are planned and there's 76 that are completed.

One of the key items is the primary health clinics, which -- out in Al Anbar, there are 15 that are planned and seven that are completed. And these are kind of like emergent care facilities that we would have there in the United States. They were supposed to be able to see about 100 people a day. And the ones that we have opened out in Al Anbar -- they're seeing about 350 people a day. These primary health clinics not only for doctors but they're -- also have dentists involved there as well.

And these primary health clinics are complete turnkey facilities. They have, you know, the dental chairs, X-ray equipment, things for the doctors to work on. We do provide some consumable supplies, and the Iraqi government provides the doctors, nurses and the follow-on consumables supplies. And so we've completed seven of those.

In the transportation/communication sector, there's 67 that are planned and 61 that are completed. And in the electrical side, we have 60 -- correction, 48 that are planned and 20 that are completed, and we're continuing to work hard on those. For instance, the Al Furat substation -- we started that, Andrew, back in July of '06 and we should have that completed in August, next month. And that should benefit about 11,000 people out there, with a workforce of 170.

And we're also working the al Qaim substation. Again, we started that in July of last year and we should be finishing that next month. And that should help provide electrical supply to about 22,000 people and require a workforce of 160.

And then the last item I just wanted to talk about is the Haditha to al Qaim 400 kV -- 400 kilovolt line. That's an overhead line that will take power that's generated at Haditha and bring it out to al Qaim. And we should -- we've got the towers erected. We should have that completed sometime by the end of the year. That will provide -- that will be very useful to the people out there.

MR. HOLT: That's good work. Congratulations.

GEN. WALSH: And with that, I'm open for questions, guys.

MR. HOLT: All right, sir. Thank you very much.

Andrew, why don't you get us started.

Q Okay. General -- got to be formal -- Andrew Lubin from ON Point. The part of the clear, hold and build is that with the build comes reconstruction and the work afterwards. That's primarily ACE. With all the senators and congressmen coming over, are you and ACE under more pressure to do more and to do it quicker, or how is everything with all the politics here reflecting back on you?

GEN. WALSH: Well, in regards to the congressmen coming out and looking at projects, they see that and they see that their funds are being used in a useful way. They look at the -- they come armed with the SIGIR reports. And as you may or may not know, the special IG for Iraq said that about -- in one of his congressional comments -- said about 80 percent of our projects meet specifications, and his last report said that it's about 87 percent. So they're over here making sure that we're spending American taxpayers' money wisely. And I talked to them that, you know, 87 percent -- finishing 87 percent of the projects on time and to specification in an environment like this, I think, is pretty good. And so that's where our conversations go with -- from the congressional guys.

No one's looking at adding additional reconstruction dollars from the U.S. taxpayers, but a lot of conversations with -- are the -- is the Iraqi government spending their funds. As you may or may not know, about 20 -- a little under 30 percent of their capital budgets were expended last year, which was obviously not very good, and it's one of the things that we're tracking now, is -- are the Iraqi ministries executing their capital budgets. And frankly, they're struggling again this year.

So those are the conversations I'm having with the congressional folks.

Q Great. Thank you.

MR. HOLT: David Axe.

Q General, thanks for taking the time to speak to us, really appreciate it. You know, I -- what I -- I'm -- this is a difficult question.

GEN. WALSH: It must be really tough then.

Q Is this stuff just a drop in the bucket is what I'm trying to drive at here. I mean, these numbers sound impressive, but it's a big country, and it's a big country, you know, that's had 30 years of underinvestment. And you know, I guess when you're really close to all these projects they might seem impressive, but are we really -- are we genuinely making a lasting difference for Iraq's economy?

GEN. WALSH: It's a big question. I'm going to give you a long answer, if you don't mind. The World Bank estimated it would be about 60 (billion dollars) to \$80 billion to put the infrastructure back

together for the country of Iraq. Certainly the American taxpayers' dollars is not insignificant at \$22 billion being the number. But to meet that intent of the World Bank, it's only one-fifth of what the requirement was. So, you know, it is -- I wouldn't want to say \$22 billion is a small number, but from the whole of what's needed, it's a fifth.

The plans back in 2003-'4 was that the Iraqi government would pick up the remainder or the donor nations, and that's where we're keeping track on them now and we're trying to make sure that they're able to invest in their country. So, who's working that reconstruction gap between the \$20 billion and the \$80 billion, right now it's going to be the Iraqi government, and they're trying hard to work that particular item.

On lasting effects to the infrastructure, I think the answer is yes. I mean, as you just mentioned, it was underfunded by 25 years. But once we go in and we renovate a lot of these generators and bring them up from the analog world into the digital world, you know, they're not going to slip back into the analog world. They're going to have to do maintenance on it and keep it running, but I think we've had lasting impacts on the Iraqi infrastructure.

In regards to an acute event, certainly, you know, there's people -- people have enough water and they have enough health care. You know, there's not a humanitarian crisis here in this country. So what we have done has had influence here.

Q Well, there's not a humanitarian crisis in Iraq proper, but there's a humanitarian crisis of Iraqis fleeing Iraq. I mean, surely that's got to be in part related to economic conditions.

GEN. WALSH: Well, I think from an economic perspective -- and I'm not an economist, but the GDP per capita has increased.

I think it was in 2003 somewhere around \$800 per person. It's up to about \$1,600 or \$1,800 per person. Now, you know, then the economists will come out and say yes, but there's been an increase in inflation, and then you'll get me chasing places where I don't -- you know, I'm not qualified to talk about.

But if we look at it from an electrical sector, the demand for electricity has gone up 30 percent after the first part of the war and has gone up 10 percent every year since then. So people are buying air conditioners, refrigerators, TV's -- you know, they're buying things that require electricity. So, you know, that would indicate to me that the economy is doing okay.

I can't argue with you that the Iraqis are leaving the country and they're leaving in some areas because the services are poor, compared to perhaps what they were if they lived in certain areas in Baghdad when the former regime was here. But there's also the security piece. But millions are staying here as well.

Q Okay, thanks.

MR. HOLT: Grim.

Q Good day, General. This is Grim of Blackfive.net. I know towards the beginning of the war one of the large challenges in dealing with the electrical sector, in particular, was the fact that Saddam had not upgraded the technology in a long time. And you were looking at having to repair generators that nobody made anymore, there were no parts for; you'd have to set up shops and machine parts for them.

I wonder if you could talk a bit about what strategies have been most effective in dealing with antiquated technology and sort of making it capable of working with what we have available to replace it with.

GEN. WALSH: From the stories that I've been told, in the 2003 time frame, when we came into country, when we opened up the generators we found that the frames were made in Russia, but over -- with 12 years of quarantine, that Russian frame would have Chinese parts, West German parts; it would have, you know, wherever they can get a part to jam into the equipment to make it run is what these engineers did. Frankly, I thought those engineers were quite innovative. To the point where when we came in to do some upgrades, we realized we couldn't do that in these particular areas and we had to put new generation systems in. And since we've been here, we've either renovated or replaced 2,800 megawatts into the Baghdad loop.

So a lot of it was to bring in turbine generators, which you can get into place in about a year, year and a half, so as a short-term fix to bring more megawatts onto the line. The difficulties of that is that to run the turbine generator, you need to run diesel, which this country doesn't have a lot of. So it's a kind of a Catch-22 in there; as we bring in turbine generators, we need to make sure we bring more diesel into the country. And the government of Iraq is importing more diesel for those turbine generators.

Q That's interesting. Thank you.

MR. HOLT: And Charlie Quidnunc.

Q Yes, thank you. General, this is Charlie Quidnunc of Wizbang. In the news lately, of course, is this interim report on progress on benchmarks. One of the benchmarks is that the Iraqi government has to be spending \$10 billion. That seems kind of a misplaced benchmark to me. Why do we worry how much they're spending? Why don't we talk about what they've accomplished? But if you were to write the benchmark number -- what is it -- number 17, allocating and spending \$10 billion Iraqi revenues -- how would you write that benchmark to show what's actually been accomplished?

GEN. WALSH: Well, it is kind of vague. What I would be looking for is the execution of those \$10 billion. In our government we have a strange language as well when we commit money, we obligate money, and we execute money or funds. That's the way we talk about it our country in regards to running contracts. In our language it would be

"execute". That means I've already got a contract in hand, the contractor has executed work, and I've paid him 30 percent of the contract.

The item that I would be looking at is how much did they pay to the contractors for the work that they've got accomplished. But the Iraqis don't use the same language we have. And frankly, they're still -- you know, they're still putting their systems together. And so I think -- and I wasn't involved in putting that benchmark together, and I think that's where it came from, is did they commit \$10 billion.

Q But in terms of accomplishment, would you say that the country should have 20 percent of their electrical grid complete? Or are those even relevant to talk about?

GEN. WALSH: Well again, it's too opaque to give you a direct answer. The problem that they had last year is they did not have a procurement system in place where they can get contracts readily at the central ministry level. So it would be significant if they were able to get \$10 billion worth of contracts out; to have not a lot of construction on the ground done, if they were just to get those contracts in place, that would be significantly different than what we saw last year.

So it would be a benchmark -- is did they commit or did they contract, you know, even half of that \$10 billion would be good.

MR. HOLT: All right. Any follow-up questions?

Q I have one if -- General, do you have time for one more? It's Andrew.

GEN. WALSH: Yeah, I have time for one more, Andrew.

Q Okay, thanks. Following up on David's question of earlier, and a bit off of some of the things you said, if the Iraqis aren't spending their capital budget again this year, why are they not doing it?

GEN. WALSH: Well, they're kind of stuck between when CPA -- well, let me rephrase that. They're kind of stuck between transparency and getting the work done. And what I mean is they're trying to put together contracts and mechanisms that are fully transparent, where every "t" is crossed and every "i" is dotted, been reviewed by everybody so that there's obviously no corruption involved. When you do something like that, it takes a lot of time to get it through all the pedantic processes to make sure that there's not corruption involved.

So that's slow, and you've got to develop that system, which is where they're at right now. Or the other is to get it done fast, and when you get something done fast, then there's all the accusations of corruption or it costs too much.

And so again, the government's only 15 months old. They're trying to figure out, you know, how to go transparent and fast at the same time, which, of course, has caused some difficulty. So that's where they're having difficulties right now.

Q Okay. Thank you.

MR. HOLT: Okay. Brigadier General Michael J. Walsh, commanding general, U.S. Army Corps of Engineers, Gulf Region Division, out of Baghdad, Iraq. Sir, do you have any closing comments for us?

GEN. WALSH: No. Thanks. It's always great to talk to y'all.

MR. HOLT: All right. Thank you, sir, for your time, and we look forward to speaking with you again.

GEN. WALSH: You bet.

Q General, thanks for the time.

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